



STATE OF WISCONSIN

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Positions Statements Related to the Practice of Accounting Issued by the Accounting Examining Board

WHAT ARE ATTEST SERVICES?

Wis. Stat. § 442.001(1) and Chs Accy 1.003 and Accy 1.205, Wisc. Admin Code define attest services as any of the following:

An audit or any other engagement that is performed or intended to be performed in accordance with the *Statements on Auditing Standards* issued by the Auditing Standards Board of the American Institute of Certified Public Accountants.

A review of a financial statement that is performed or intended to be performed in accordance with the *Statements on Standards for Accounting and Review Services* issued by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants.

An examination of prospective financial information that is performed or intended to be performed in accordance with *Statements for Attestation Engagements* issued by the Auditing Standards Board, the Accounting and Review Services Committee, and the Consulting Services Executive Committee of the American Institute of Certified Public Accountants.

WHEN IS A CPA CERTIFICATE REQUIRED TO PRACTICE ACCOUNTING?

Generally, if a person practices in Wisconsin as a certified public accountant, holds himself or herself out to be a CPA or provides attest services, the person and the person's firm must be licensed as certified public accountants. The Wisconsin Supreme Court ruled in 1965 in *Tom Welch Accounting Services v. Walby* that non-CPA's may keep books, make trial balances or statements, and generally practice accountancy, but the use of their audits or reports under the guise that they were made by a CPA or public accountant is prohibited.

Wis. Stat. § 442.03 states that "no person may lawfully practice in this state as a certified public accountant either in the person's own name, or under an assumed name, or as a member of a firm, unless the person has been granted by the examining board a certificate as a certified public accountant, and unless the person and firm have complied with all of the provisions of this chapter, including licensure."

Wis. Stat. § 442.029(1)(m) states that a person shall be considered to be in practice as a certified public accountant, if any of the following conditions are met:

§ “(a) The person holds himself or herself out to the public in any manner as one skilled in the knowledge, science, and practice of accounting, and as qualified and ready to render professional service therein as a certified public accountant for compensation.

§ “(b) The person maintains an office for the transaction of business as a certified public accountant or, except as an employee of a certified public accountant, practices accounting, as distinguished from bookkeeping, for more than one employer.

§ “(c) The person offers to prospective clients to perform for compensation, or performs on behalf of clients for compensation, professional services that involve or require an audit of financial transactions and accounting records.

§ “(d) The person prepares for clients reports of audits, balance sheets, and other financial, accounting and related schedules, exhibits, statements or reports that are to be used for publication or for credit purposes, or are to be filed with a court of law or with any other governmental agency, or for any other purpose.

§ “(dm) The person provides or offers to provide an attest service.

§ “(e) The person, in general or as an incident to such work, renders professional assistance to clients for compensation in any or all matters relating to accounting procedure and the recording and presentation of financial facts.

§ “(f) The person signs or affixes his or her name or any trade or assumed name used by the person in his or her business or profession to an opinion or certificate attesting to the reliability of any representation or estimate in regard to any person or organization embracing financial information, financial transactions or accounting records.”

CAN I PRACTICE ACCOUNTING WITHOUT A CPA LICENSE?

Wis. Stat. § 442.025 states that a CPA certificate is not required for:

Persons employed by a licensed public accountant or a licensed firm to serve as accountants if certain conditions are met. Please see the statute for more information.

Practicing attorneys who render accounting services in connection with their professional work.

People employed by more than one person for the purpose of keeping books, making trial balances, or statements, and preparing reports, if certain conditions are met. Please see statute for more information.

A person who's principal place of business or residence is not within the state, if certain conditions are met. Please see statute for more information.

A person who performs services or duties involving the use of accounting skills, including management advisory services, the preparation of tax returns, and the preparation of financial statements without issuing reports on the statements.

A person who prepares financial statements and issues information thereon that does not purport to be in compliance with the statement on standards for accounting review services issued by the American Institute of Certified Public Accountants.

CAN A CPA WITHHOLD FINANCIAL RECORDS FROM A CLIENT UNTIL THE CLIENT PAYS THE CPA?

Accy 1.401(2) states that retention of client records after a demand is made for them is considered an act discreditable to the profession and is therefore prohibited. However, a CPA has his or her working papers to enforce payment because working papers are the property of the CPA.

MAY A CPA DO WORK FOR AN UNLICENSED FIRM?

Ch Accy 1.404(2)(c), Wisc. Admin Code states that a conflict of interest exists when a CPA or a firm of such persons who are licensed become associated with or employed by non-licensed individual or firm offering accounting, tax, or consulting services ... in such a way that third parties could interpret or conclude that attest services are performed or offered by both the non-licensed individuals or firm and the licensed CPA. A conflict of interest also exists if the services of the licensed CPA or firm can be influenced or decisions altered by the non-certified associate or employer.

DOES WISCONSIN HAVE A 150-HOUR EDUCATION RULE?

Yes, Wis. Stat. § 442.04(4)(bm) and Ch Accy 7.035, Wisc. Admin Code states that a person may not take the CPA examination unless the person has completed at least 150 semester hours of education with an accounting concentration at an accredited university.

MAY A PERSON TAKE THE ACCOUNTING EXAMINATION IF HE OR SHE DOES NOT HAVE A DEGREE IN ACCOUNTING?

Generally, a person may not take the CPA examination unless the person has completed at least 150 semester hours of education with an accounting concentration at an accredited institution, and has received a bachelor's degree or higher with an accounting concentration from an institution. However, under its rules, the examining board may review individual educational experiences to determine whether a person has other qualifications that provide the reasonable equivalence of a resident major in accounting. Please see Wis. Stat. 442.04(4)(bm) and Ch Accy 7.035, Wisc. Admin Code for further information.

IF A PERSON HOLDS A CPA LICENSE IN ANOTHER STATE, DOES THAT PERSON NEED A LICENSE TO PRACTICE IN WISCONSIN?

Wis. Stat. 442.025(4) states that a person does not need a license if that person meets the following conditions:

The principle place of business or residence is not in Wisconsin

The person holds a valid certified public accountant certificate or license from another state that the National Association of State Boards of Accountancy Qualification Appraisal Service has verified to be in substantial equivalence with the certified public accountant licensure requirements of certain organizations. Please see the statute for a complete list of such organizations.

MAY A CPA CHARGE A CONTINGENT FEE OR RECEIVE A COMMISSION OR REFERRAL FEE?

Ch Accy 1.302(1), Wisc. Admin Code states that a CPA may charge a contingent fee provided that the accountant and the client make a contingent fee agreement in writing, which states the method by which the fee is to be determined and describes all costs and expenses to be charged to the client. However, Ch Accy 1.302(2) states that no CPA may receive a contingent fee from any person for whom the accountant performs attest services during the period of the attest services engagement or the period covered by any historical financial statements involved in the attest services.

Ch Accy 1.302(3), Wisc. Admin Code states that a CPA may receive a commission provided that the time the referral or the recommendation is made, the accountant informs the client in writing of the amount and the reason for the commission. However, Ch Accy 1.302(4) states that no CPA may receive a commission from any person for whom the accountant performs attest services during the period of the attest services engagement or the period covered by any historical financial statements involved in the attest services.

Ch Accy 1.302(5), Wisc. Admin Code states that no CPA may receive a referral fee unless the CPA who accepts the referral fee discloses to the client, in writing, at the time of the referral is made the amount of and the reason for the referral fee, and the CPA who pays the referral fee discloses the same information within 30 days, in writing.

Please see Ch Accy 1.302, Wisc. Admin Code for complete information.

WHAT IS THE WISCONSIN PEER REVIEW REQUIREMENT?

Wis. Stat. 442.087(2) states that the Department may not renew a license of a firm unless, at least once every three years, the firm undergoes the peer review that is specified in the rules, and that is conducted by a person, approved by the examining board under the rules, who is not affiliated with the firm or members of the firm undergoing the review.

WHEN IS A FIRM LICENSE REQUIRED?

Wis. Stat. 442.03 states no person may lawfully practice in this state as a certified public accountant either in the person's own name or as a member of a firm unless the person has been granted by the examining board a certificate as a certified public accountant, and unless the person and firm have complied with all of the provisions of this chapter, including licensure.

MAY A CPA FIRM BE OWNED BY A PERSON WHO IS NOT A CPA?

Ch Accy 1.408(2), Wisc. Admin Code states that an applicant for a license as a certified public accounting firm shall demonstrate that more than 50% of the ownership interest of the firm is held by individuals who hold certificates or licenses to practice as certified public accountants issued under the laws of any state or foreign nation. Ch Accy 1.408(3) states that a firm applying for licensure meets the ownership requirements if:

The applicant is a sole proprietor and the owner holds a certificate or license as a CPA,

If the applicant is organized as a service corporation and more than 50% of the voting rights are held by individuals who are CPAs,

If the applicant is organized as a business corporation and more than 50% of the voting rights are held by individuals who are CPAs,

If the applicant is organized as a partnership or limited liability corporation and more than 50% of the voting rights are held by individuals who are CPAs,

An applicant firm with ownership characteristics other than those identified may submit information about the ownership interests of all members of the firm to the board for further consideration.

IF A FIRM ADDS A NEW PARTNER, DOES THAT FIRM NEED TO APPLY FOR A NEW LICENSE?

Ch Accy 4.07, Wisc. Admin Code states that the board must be notified in writing of changes in the members of the firm or changes in the firm name no later than 30 days after the change. Furthermore, reorganizations, mergers, or comparable changes in which a new firm is created shall make application and the new firm licensed before practice can be commenced.

IF ONE OF THE OWNERS OF THE CPA FIRM IS NOT A CPA AND THE NAMES OF NON-CPA OWNERS MAY NOT BE USED IN THE FIRM NAME, ARE WE ALLOWED TO USE THE TERM “AND COMPANY” IN THE NAME TO IDENTIFY THAT OTHER FIRM OWNERS EXIST?

Ch Accy 1.405(2), Wisc. Admin Code states that no person engaged in practice as a CPA may use a business name or designation that is misleading as to the number of people in the firm. In order to use the term “and company” in a firm name, more than 50% of the ownership interest in the firm must be held by licensed CPAs. Merely employing another CPA who does not have equity in the firm is not sufficient. See ACCY 1.408 also.

DOES A SOLE PROPRIETOR NEED TO OBTAIN A FIRM LICENSE?

Yes, Wis. Admin. Code ACCY 4.03 states that an individual practicing as a sole proprietor shall be licensed as an individual. Once so licensed, shall also be licensed as a firm.

MAY A SOLE PROPRIETOR USE A NAME THAT SUGGESTS MULTIPLE SHAREHOLDERS (EX. JAMES AND JAMES)?

Ch Accy 1.405(2), Wisc. Admin Code states that no person engaged in practice as a CPA may use a business name or designation that misleads the public. However, names of one or more past partners or shareholders may be included in the firm name of a successor partnership or corporation. If all partners withdraw, leaving a sole practitioner, the sole practitioner may continue to practice under the same name for a maximum of two years.

DOES A CPA FIRM OUTSIDE OF WISCONSIN NEED A FIRM LICENSE IF IT HAS LICENSED WISCONSIN CPAS AND/OR WISCONSIN CLIENTS?

Ch Accy 4.04, Wisc. Admin Code states that firms without a bona fide office in the state, as described in Ch Accy 4.06(2) may be licensed if there is a licensed Wisconsin CPA designated as the individual responsible for the firm’s compliance with Wis. Stat. 442, for the Wisconsin engagement(s).

MAY A CPA HAVE OWNERSHIP IN MORE THAN ONE FIRM?

Yes. There are no restrictions in the Wisconsin Statutes or the Wisconsin Administrative Code that would prohibit ownership in multiple firms.

WHAT TYPE OF EXPERIENCE IS EQUIVALENT TO PUBLIC ACCOUNTING?

The Accounting Examining Board has determined that the following experience is equivalent to public accounting:

- Financial statement preparation
- Financial statement consolidation
- Trial Balance/General Ledger/Fixed Asset
- Audit support

- Software conversion/installation of financial systems
- Account reconciliation
- Expense account analysis
- Tax payments and returns, payroll management
- Budget preparation, operating and capital
- Product costing
- Developing, testing internal controls
- Capital budgeting support
- Analysis of financial statements or budgets
- Analysis of information flows and accounting processes
- Research of accounting literature or tax codes
- Conducting internal audits
- Assigning accounting codes to invoices
- Preparation of journal entries
- Income tax preparation and projects—individual and corporate
- Financial Consulting
- Analysis of “base case” financial models and buyer’s lists
- Analysis as to Financial buying and discounted cash flow

The Accounting Examining Board has determined the following experience is not equivalent to public accounting.

- Cash Register Clerk
- Restaurant Manger
- Secretarial support
- Preparation of real estate sale closing statements
- Bank Trust Department Account Officer
- Analysis of insurance claims
- Supervision of Purchasing clerks
- Bank Teller